

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

00-13

2. STATE:

NC

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

September 18, 2000

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.272

7. FEDERAL BUDGET IMPACT: 243,714,955

a. FFY 00 \$249,226,571

b. FFY \$

HCFA  
6/2/01

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A pages 9a, 9b, 9c, 18a and  
18b9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):Attachment 4.19-A pages 9a, 9b, 9c, 18a  
and 18b

10. SUBJECT OF AMENDMENT:

Disproportionate share and Inpatient Supplemental Payments

GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:

Not required

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

E. David Druton, MD

14. TITLE:

Secretary

15. DATE SUBMITTED:

9/20/00

16. RETURN TO:

Office of the Secretary  
Department of Health & Human Services  
2001 Mail Service Center  
Raleigh, North Carolina 27699-2001

## FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

September 28, 2000

18. DATE APPROVED:

May 23, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

September 18, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Eugene A. Grasser

22. TITLE: Associate Regional Administrator  
Division of Medicaid and State Operations

23. REMARKS:

State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program  
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

(e) Hospitals licensed by the State of North Carolina and reimbursed under the DRG methodology for more than 50 percent of their Medicaid inpatient discharges for the fiscal years ending September 30, 2000 and thereafter shall be entitled to a lump sum payment for the period from September 18, 2000 through September 30, 2000, and lump sum payments for subsequent fiscal years calculated and paid no less frequently than annually and no more frequently than quarterly in amounts or percentages determined by the Director of Medical Assistance, for periods preceding or following the payment date subject to the following provisions:

- (1) To ensure that the payments authorized by this Paragraph do not exceed the applicable upper limits, such payments (when added to Medicaid payments received or to be received for these services) shall not exceed for the twelve month period ending September 30 of the year for which payments are made the applicable percentage of:
  - (i) the reasonable cost of inpatient hospital Medicaid services, plus
  - (ii) ~~the~~ reasonable direct and indirect costs attributable to inpatient Medicaid services of operating Medicare approved graduate medical education programs.
- A. The phrase "applicable percentage" refers to the upper payment limit as a percentage of reasonable costs established by 42 C.F.R. 447.272 for different categories of hospitals.
- B. Reasonable costs shall be ascertained in accordance with the provisions of the Medicare Provider Reimbursement Manual as defined on page 9 Subparagraph (b) of this state plan.
- C. The phrase "Medicaid payments received or to be received for these services" shall exclude all Medicaid disproportionate share hospital payments received or to be received.

TN. No. 00-13  
Supersedes  
TN. No. 99-17

Approval Date MAY 24 2001

Eff. Date. 9/18/00

State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program  
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

- (2) Qualified public hospitals shall receive payments under this Paragraph in amounts (including the expenditures described in Subparagraph A (iii) below) not to exceed the applicable percentage of each hospital's Medicaid costs for the twelve month period ending September 30 of the fiscal year for which such payments are made, less any Medicaid payments received or to be received for these services.
- A. A qualified public hospital is a hospital that meets the other requirements of this Paragraph and:
- (i) was owned or operated by a State (or by an instrumentality or a unit of government within a State) during the period for which payments are made; and
  - (ii) verified its status as a public hospital by certifying State, local, hospital district or authority government control on the most recent version of Form HCFA-1514 filed with the Health Care Financing Administration, U. S. Department of Health and Human Services at least 30 days prior to the date of any such payment that remains valid as of the date of any such payment; and
  - (iii) files with the Division on or before 10 working days prior to the date of any such payment by use of a form prescribed by the Division certification of expenditures eligible for FFP as described in 42 C.F.R. 433.51(b). This provision shall not apply to qualified public hospitals that are also designated by North Carolina as Critical Access Hospitals pursuant to 42 USC 1395i-4.
- (3) Hospitals licensed by the State of North Carolina and reimbursed under the DRG methodology for more than 50 percent of their Medicaid inpatient discharges for the fiscal years ending September 30, 2000 and thereafter that are not qualified public hospitals as defined in this Paragraph shall be entitled to lump sum payments in amounts that do not exceed the applicable percentage of each hospital's Medicaid costs (calculated in accordance with Subparagraph (1)) for the twelve month period ending September 30 of the fiscal year for which such payments are made less any Medicaid payments received or to be received for these services.

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State Plan Under Title XIX of the Social Security Act  
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- (4) Payments authorized by this Paragraph shall be made solely on the basis of an estimate of costs incurred and payments received for Medicaid services for the period for which payments are made. The Director of the Division of Medical Assistance shall determine the amount of the estimated payments to be made by analysis of costs incurred and payments received for Medicaid services as reported on the most recent cost reports filed before the Director's determination is made and supplemented by additional financial information available to the Director when the estimated payments are calculated if and to the extent that the Director concludes that the additional financial information is reliable and relevant.
- (5) To ensure that estimated payments pursuant to the proceeding Subparagraph do not exceed the aggregate upper limits to such payments established by applicable federal law and regulation (42 C.F.R. 447.272), such payments shall be cost settled within twelve months of receipt of the completed and audited Medicare/Medicaid cost reports for the period for which payments are made.
- There shall be a separate aggregate cost settlement pool for qualified public hospitals that are owned or operated by the State, for qualified public hospitals that are owned or operated by an instrumentally or unit of government within a State and for hospitals qualified for payment under this Paragraph that are not qualified public hospitals. If aggregate payments to the hospitals in any of the three cost settlement pools exceed the aggregate upper limit for the hospitals in that pool, hospitals in that pool that receive payments in excess of unreimbursed reasonable cost as defined in this Paragraph shall promptly refund their proportionate share of any aggregate payments to the hospitals in that pool in excess of the aggregate upper limit of the hospitals in that pool. No additional payment shall be made in connection with the cost settlement.
- (6) The payments authorized under this Paragraph shall be effective in accordance with G.S. 108A-55(c)

State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program  
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Payments for Medical and Remedial Care and Services: Inpatient Hospital

(k) Additional disproportionate share hospital payments for the 12 month periods ending September 30 (subject to the availability of funds and to the payment limits specified in this Paragraph) shall be paid to qualified public hospitals licensed by the State of North Carolina. For purposes of this Paragraph, a qualified public hospital is a hospital that: qualifies for disproportionate share hospital status under Subparagraphs (a)(1) through (5) of this Plan; does not qualify for disproportionate share hospital status under Subparagraph (a)(6) of this plan; was owned or operated by a State (or by an instrumentality or a unit of government within a State) during the period for which payments under this paragraph are being ascertained; verified its status as a public hospital by certifying state, local, hospital district or authority government control on the most recent version of Form HCFA-1514 filed with the Health Care Financing Administration, U.S. Department of Health and Human Services at least 30 days prior to the date of any payment under this Subparagraph that is still valid as of the date of any such payment; files with the Division at least 60 days prior to the date of any payment under this paragraph by use of a form prescribed by the Division a certification of its unreimbursed charges for inpatient and outpatient services provided to uninsured patients either during the fiscal year immediately preceding the period for which payments under this paragraph are being ascertained or such earlier period as may be determined by the Director; and submits to the Division on or before 10 working days prior to the date of any such payment under this paragraph by use of a form prescribed by the Division certification of expenditures eligible for FFP as described in 42 C.F.R. 433.51(b).

- (1) The payments to qualified public hospitals pursuant to this Paragraph for any given period shall be based on and shall not exceed the unreimbursed charges certified to the Division by each such hospital by use of a form prescribed by the Division for inpatient and outpatient services provided to uninsured patients either for the fiscal year immediately preceding the period for which payments under this paragraph are being ascertained or for such earlier period as may be determined by the Director, to be converted by the Division to unreimbursed cost by multiplying unreimbursed charges times the cost-to-charge ratio established by the Division for each hospital for the fiscal year during which such charges were incurred. Payments authorized by this Paragraph shall be made no more frequently than quarterly or less frequently than annually and may cover periods within the fiscal year preceding or following the payment date.

TN.No. 00-13  
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State Plan Under Title XIX of the Social Security Act  
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Payments for Medical and Remedial Care and Services: Inpatient Hospital

- (2) Any payments pursuant to this Paragraph shall be ascertained, paid and cost settled after any other disproportionate share hospital payments that may have been or may be paid by the Division pursuant to this State plan for the same fiscal year.
- (3) The payment limits of the Social Security Act, Title XIX, Section 1923(g)(1) applied to the payments authorized by this Paragraph require on a hospital-specific basis that when such payments are added to other disproportionate share hospital payments, the total disproportionate share hospital payments will not exceed the percentage specified by the Social Security Act, Title XIX, Section 1923(g) of the total costs of providing inpatient and outpatient services to Medicaid and uninsured patients for the fiscal year in which such payments are made, less all payments received for services to Medicaid and uninsured patients for that year. The total of all DSH payments by the Division may not exceed the limits on Disproportionate Share hospital funding as established for this State by HCFA in accordance with the provisions of the Social Security Act, Title XIX, Section 1923(f) for the fiscal year in which such payments are made.
- (4) To ensure that estimated payments pursuant to this Paragraph do not exceed the upper limits to such payments described in the preceding Subparagraph and established by applicable federal law and regulation, such payments shall be cost settled within 12 months of receipt of the completed and audited Medicare/Medicaid cost report for the fiscal year for which such payments are made. The federal portion of any payments in excess of either of the upper limits described in Subparagraph (3) will be promptly repaid. Subject to the availability of funds, and to the upper limits described in subparagraph (3), additional payments shall be made as part of the cost settlement process to hospitals qualified for payment under this Paragraph in an amount not to exceed the hospital-specific upper limit for each such hospital.
- (5) The payments authorized by this Paragraph shall be effective in accordance with G.S. 108A-55 (c ).